Higher Education: Public Good, Private Investment, or Synergism for Both!

The Arizona Story
A Perfect Situation
Higher Education: Public Good, Private Investment, or Synergism for Both!

The Arizona Story
A Perfect Situation

Perfect Storm or Perfect Opportunity
The Perfect Storm: Three Converging Waves

Wave One: Arizona’s *Economic Competitiveness*

Wave Two: *Who You Are* – Can Arizona Be Competitive

Wave Three: What Arizona Has in *Resources* to Commit to This Venture
The Liberal Borrowings

Knocking on the College Door (WICHE)

Beyond Social Justice (WICHE)


State Higher Education Executive Officers (SHEEO), SHEF Report, March 2011.
The Converging Waves

Wave One: Arizona’s Economic Competitiveness

Wave Two: Who We Are – Can Arizona Be Competitive

Wave Three: What Arizona Has in Resources
Relationship Between Educational Attainment, Personal Income, and Economic Strength

State New Economy Index (2002)
- Top Tier
- Middle Tier
- Low Tier

High Income, Low Educational Attainment
- $15,000
- $20,000
- $25,000
- $30,000

Low Income, Low Educational Attainment

High Income, High Educational Attainment

Percent of Adults Age 25-64 with a Bachelor’s Degree or Higher
- 15%
- 20%
- 25%
- 30%
- 35%
- 40%
Differences in College Attainment (Associate and Higher) Between Younger and Older Adults - U.S. and OECD Countries, 2005

The Good News: *Arizona considered a new economy state*

The Rest of the Story: *Arizona is Slip Sliding Away*

- On Education Levels -- Behind and More Behind
- On Per Capita Income
The Public Policy Response: Thinking Here & Elsewhere

National/Federal

The Completion Agenda:
- The President’s Goal – Lead Again by 2020
- Gates and Lumina
- Complete College America, NGA’s Complete to Compete, Completion by Design

The Productivity Agenda
- Lumina and Gates
- Evidence Based Practice – Data Base Development
- The Education/Workforce Linkage
- Performance Funding – Arizona – Leading Edge
National/Federal

The Quality Agenda
- Lumina, Carnegie, and Hewlett
- Education for What
- Tuning and Degree Qualifications
- Quality Assurance -- Accreditation
The Public Policy Response: Thinking Here & Elsewhere

**Regions & Their States**
- **East:** Status Quo, more or less
- **Mid-West:** A Mixed Bag
  - Rhetoric trumps action
- **South:** Investing in Education
  - But still disconnects
- **The Rest of the West**
  - Mostly Broke and feeling sorry
  - Trailing national reform
- **Arizona**
  - Investing in Performance
    - Lumina Productivity/Performance Funding
  - Smart Growth
  - Still disjointed
The Converging Waves

Wave One: Arizona’s Economic Competitiveness

Wave Two: Who You Are – Can Arizona Be Competitive

Wave Three: What Arizona Has in Resources
Arizona Public High School Graduates
1991-92 to 2004-05 (Actual), 2005-06 to 2021-22 (Projected)

WICHE Projections of High School Grads

Figure 3.11. Public High School Graduates in the Midwest by Race/Ethnicity 1993-94 to 2004-05 (Actual), 2005-06 to 2021-22 (Projected)

Figure 3.13. Public High School Graduates in the Northeast by Race/Ethnicity 1993-94 to 2004-05 (Actual), 2005-06 to 2021-22 (Projected)

Arizona – Difference in Education Attainment between Whites and Hispanics (2009, Percent)

<table>
<thead>
<tr>
<th>Education Level</th>
<th>White</th>
<th>Hispanic</th>
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</thead>
<tbody>
<tr>
<td>Less Than High School</td>
<td>6.1</td>
<td>34.9</td>
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<tr>
<td>High School Graduate or GED</td>
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<td>Some College, No Degree</td>
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<td>7.8</td>
</tr>
<tr>
<td>Graduate or Professional Degree</td>
<td>11.3</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2009 American Community Survey (ACS) Public Use Microdata Sample (PUMS) File.
Difference Between Whites and Next Largest Race/Ethnic Group in Percentage of Adults Age 25-34 with an Associate Degree or Higher, 2000

Source: U.S. Census Bureau, PUMS (based on 2000 Census), Via NCHEMS
The White Caps on the Second Wave

Those with whom you have succeeded are declining
Those with whom you have not succeeded are increasing
“Average” won’t sustain you,
and may not even be achievable
Will require 7.7% increase, year over year
The Public Policy Response: Here and Elsewhere

The Good News
- National Consensus Efforts
- Emerging focus on Equity – Arizona, Nevada, Wisconsin
- An emerging “Change” agenda – ASU/the Lower Cost Model, Metro state/NCAT
- Low hanging fruit – adults with some college
  - 28 % of adult population

The Other News – Same Old, same old
- Mission creep—Not so in Arizona
- Focus on highest achieving (financial aid & enrolment protections)—Not so in Arizona
- Challenges to diversity & diverse populations
- Rearranging the Deck Chairs -- Governance
The Converging Waves

Wave One: Arizona’s Economic Competitiveness

Wave Two: Who You Are – Can Arizona Be Competitive

Wave Three: What Arizona Has in Resources
Life could have been worse

Public FTE Enrollment, Educational Appropriations, and Total Educational Revenue per FTE, U.S., Fiscal 1985-2010

Note: Net tuition revenue used for capital debt service is included in the above figures. All figures are adjusted by SHEEO Higher Education Cost Adjustment (HECA).
Source: SHEEO SHEF 2010.
And the story is the same for Arizona

Public FTE Enrollment, Educational Appropriations and Total Educational Revenue per FTE, Arizona, Fiscal 1985-2010

Note: Constant 2009 dollars adjusted by SHEEO Higher Education Cost Adjustment. 2009 Educational Appropriations include ARRA funds. (HECA)
Source: SSDB
Educational Appropriations per FTE
State Differences from U.S. Average Over 25 Years and in 2010 (Constant 2010 Dollars)

Note: All dollars are adjusted by HECA, Cost of Living Adjustment, and Enrollment Mix.
Source: SHEEO SHEF
Note: All dollars are adjusted by HECA, Cost of Living Adjustment, and Enrollment Mix. Total educational revenue does not include net tuition revenue used for debt service.

Source: SHEEO SHEF
Revenues Per Student from Net Tuition, State, & Local Appropriations Public 2-Year

Projected State and Local Budget Surplus (Gap) as a Percent of Revenues, 2016

Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2009 Via NCHEMS
Prospects look bleak for much more in the short term.
New Normal suggests a very different future than past.
Triage often sacrifices the most vulnerable
The Public Policy Response: Here and Elsewhere

- A stimulus package that discouraged innovation and change
- A funding structure that inadequately supports equity oriented institutions—Less so in Arizona
- Mission creep, which reduces teaching productivity—Less so in Arizona unless CCs
- Tax cuts over tax investments
The Arizona story – *Three Huge Converging Waves*

- Demographics present a challenge, all else being equal
- The finances are perilous
- You are already starting from behind
- And simply catching up won’t be good enough
  - Nationally; others aren’t waiting for you
  - Internationally; others are aggressively
Opportunity One: Your Economic Competitiveness

Opportunity Two: Your Changing Demographics

Opportunity Three: Your Revenue Base
Opportunity One: Your Economic Competitiveness

- Arizona is a New Economy State
  - You have a base upon which to build
  - You a part of the wealthiest country in the World. We have “the financial capacity”
Opportunity Two: Your Changing Demographics

- Improvements in serving Hispanic students will reap huge benefits
- Low hanging fruit – adults with some college
Opportunity Two: Our Changing Demographics

- Positive Policy Trends
  - Pay for Outcomes
    - Evidence based
    - Elements focused on reducing the Gaps
  - Less is More in the Curriculum
  - Reinvention of Remediation (NCAT)
Opportunity Three: Your revenue base

- Arizona starts with a reasonable base
- You have room for productivity improvement
Productivity: Total Funding per Degree/Certificate (Weighted*, 2006-2007)

*Adjusted for value of degrees in the state employment market (median earnings by degree type and level)

Sources: SHEEO State Higher Education Finance Survey 2008; NCES, IPEDS Completions Survey; U.S. Census Bureau, American Community Survey (Public Use Microdata Samples)
Opportunity Three: Your revenue base

- Arizona starts with a reasonable base
- You have room for productivity improvement
- You have modest additional tax capacity
State Tax Capacity & Effort
Indexed to U.S. Average

Source: State Higher Education Executive Officers (SHEEO)
Opportunity Three: Your revenue base

- Arizona starts with a reasonable base
- You have room for productivity improvement
- You have a smart proposed approach to funding (except financial aid)
  - investments likely to reap results
- You have strong smart leadership (if they can find a way to work together)
The Arizona Story –

Perfect Storm
The Arizona Story –

Perfect Storm, or
Perfect Opportunity

Your Choice